

Union Electric Company

**Response to Illinois Commerce Commission Data Request
I.C.C. Docket No. 00-0441**

Company Representative Responsible: Donald Richardson
Title: Consulting Environmental
Engineer, Environmental, Safety
and Health, Ameren Services

Telephone: 314/554-4867

SDR-001: Describe with specificity how the actions undertaken by the Company comply with each of the four prudence standards contained in the Commission's Order in Docket Nos. 91-0080 through 91-0095 (Consolidated).

Response: See direct testimony of Donald L. Richardson, pages 2-4.

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SDR-002: This request pertains to the level of environmental cleanup required at each MGP site.

- a. For each MGP site, describe the level of environmental cleanup required.
- b. List the steps that must be taken to obtain the level of environmental cleanup required.
- c. Explain and evaluate any alternative levels of environmental cleanup that may be applicable for each site.

Response: a. The required level of environmental cleanups must adequately protect human health and the environment. To meet this level of protection in the most cost-effective manner, the Illinois Environmental Protection Agency allows cleanup objectives to be based on risk assessments based on site-specific information. Development of risk-based cleanup objectives requires the specification of acceptable health risk values associated with the levels of contaminants allowed to remain at the site. For non-carcinogenic contaminants, a hazard quotient equal to 1 is used. For carcinogenic soil contaminants, the baseline target cancer risk is 10^{-6} . When certain engineered barriers and/or institutional controls are employed, target cancer risks of up to 10^{-4} may be allowed. For groundwater contaminants, the baseline cleanup objectives are based on standards and health advisory procedures found in 35 IL. Admin. Code 620 and are not necessarily equivalent to a 10^{-6} target cancer risk. This process has been formalized in 35 IL. Admin. Code 742 which was effective July 1, 1997. This regulation is called "Tiered Approach to Corrective Action Objectives" or TACO.

b. To establish cleanup objectives using TACO, a complete remedial investigation must first be performed to adequately assess the degree and extent of contamination with site-specific conditions. Next, cleanup objectives are developed using TACO based on exposure routes, receptors, contaminants,, property uses, engineered barriers, institutional controls, groundwater classification, soil attenuation capacity, soil saturation concentration and community acceptance.

At each step of this process, the company obtains IEPA comments and approval to insure the IEPA is in agreement with the investigation methods and assumptions.

c. Methods to achieve the established cleanup objectives are developed and evaluated as to their cost. The Company presents these alternatives to the IEPA with a preferred alternative identified. The preferred alternative is the least cost method that adequately protects human health, the environment and complies with the TACO program. If the IEPA agrees, then detailed plans and specifications are developed for bids.

The following discusses those sites for which specific information is available:

Alton

The Alton site investigation report was submitted to the IEPA in 1991. Based on the site investigation report submitted to the IEPA, the Company believes the MGP residuals present at the Alton site, are located underneath a paved parking lot and present a minimal route of exposure to the public. Accordingly, site conditions do not present an imminent risk to human health or the environment. To date, the IEPA has not requested the Company to conduct any further remediation activities. In March of 1999, the Company hired a consultant to provide a preliminary evaluation of additional data needs and potential cleanup alternatives using the Illinois TACO regulations. The evaluation concluded that additional data need to be collected and the report need to be revised to address several areas necessary to meet specific TACO requirements. However, the cost to update the report appears to be insignificant compared to the potential reduction in cleanup cost using TACO criteria.

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SDR-003: Has the Company ever received a site remediation letter from the Illinois Environmental Protection Agency indicating that no further remediation is required at a specific MGP site? If yes, provide a copy of each site remediation letter received.

Response: No.

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SDR-004: Describe how the Company monitors the actual on-site investigation and remediation activities.

Response: The Company's project manager monitors all on-site investigations and remediation activities to insure approved work plans are being followed. The project manager is on-site during all key periods of the investigation such as drilling into anticipated contaminated areas and periodically monitors site activities. In addition, progress meetings regarding site activities are held as necessary.

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SDR-005: This request pertains to the Company's forecasting of MGP environmental cleanup costs for the reconciliation period.

- a. Explain the forecasting methods used by the company to determine MGP environmental cleanup costs for the reconciliation period.
- b. Describe how the forecasted cost amounts were determined.
- c. Include explanations for each instance where the actual costs, by site or account code, deviated from the forecast costs by 10% or more.
- d. Explain how these cost forecasts were used by the Company for the reconciliation period.

Response: **a.** Based on the Company's experience, a budget forecast is developed. Forecasting of MGP environmental cleanup costs are dependent on site-specific information that was collected during the remedial investigation and IEPA approvals. Once IEPA has approved the appropriate cleanup level and method, actual cleanup costs are developed through a public bid process.

b. & c.

No money was budgeted for Alton in 1999. The report submitted to the IEPA in 1991 was based on cleanup criteria prior to the Illinois TACO program. The Company decided that this information need to be evaluated under the Illinois TACO program. The bulk of the \$12,652 spent in 1999 was for this evaluation.

d.

Actual cost and forecasted estimates are reviewed on a quarterly basis. Rider charges are adjusted as appropriate

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SDR-006: Provide a copy of all written procedures for MGP environmental cleanup purchasing and contracting that were in effect during the reconciliation period or that were in effect when past MGP environmental cleanup purchases and contracts were made that extended into the reconciliation period.

Response: Selection of consultants to provide the necessary remedial investigations, feasibility studies, risk assessments, remedial design work and cleanups followed UE's general policies regarding contracting for engineering services. The Purchasing Department was utilized to ensure these policies were being followed. Request for proposals were sent out to qualified consulting firms that had appropriate MGP experience. Averages of six firms (a minimum of three) were sent requests. Once all the proposals were received, personnel from the Environmental Department and Purchasing would evaluate the proposals. The proposals were evaluated based on estimated cost, completeness of the proposed work, qualifications of proposed project personnel, MGP experience and Illinois MGP experience.

On or about December 31, 1997, Ameren Corporation Purchasing Policies and Procedures have been followed. These policies are very similar to the policies and procedures described above.

The Company believes these procedures provide the best possible mechanism achieving competent assistance, while minimizing the cost of site cleanups, site investigations and other similar engineering type services.

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SDR-007: Provide the date when the MGP environmental cleanup purchasing and contracting procedures were most recently changed, identify each procedure that was changed, and explain why each change was made.

Response: On or about December 31, 1997, CIPSCO, Inc. (parent company of CIPS) and UE merged. Following that merger, Ameren Corporation (parent company of CIPS and UE) began developing revised Purchasing Policies and Procedures.

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SDR-008: This request pertains to the general management evaluations, assessments, and/or reviews of the MGP environmental cleanup purchasing and contracting procedures.

- a. Provide the date of the three most recent general management evaluations, assessments, and/or reviews of MGP environmental cleanup purchasing and contracting procedures.
- b. Provide a copy of all reports and/or summaries of these general management evaluations, assessments, and/or reviews.
- c. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of these general management evaluations, assessments, and/or reviews.

Response: a. UE evaluates, assesses and reviews environmental clean-up purchasing and contracting procedures on a regular basis, but it is not possible to identify three separate formal reviews.

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SDR-009: Explain how purchasing and contracting decisions for MGP environmental cleanup costs were included in the corporate planning and budgeting process during the reconciliation period.

Response: Purchasing and contracting decisions for MGP environmental cleanups are considered as a part of the site specific information utilized in the forecasting process described in response to SDR-005.

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SDR-010: This request pertains to the Company's procedures for MGP environmental cleanup purchasing and contracting decisions.
a. Identify the management level at which purchasing and contracting decisions for MGP environmental cleanup costs were made during the reconciliation period.
b. If different procedures were applied at progressively higher cost amounts, describe in detail the procedures for each of the cost amounts.

Response: All consultants used for site remedial investigations and other similar engineering work are performed under Professional Service Agreements. These agreements are reviewed by Environmental, Safety and Health, Risk Management and legal before they are signed by a Company officer.

Each year MGP expenditures are reviewed and approved for the next year utilizing Ameren's budget approval process. The Manager of Environmental, Safety and Health is then authorized to expend these amounts within the Company's general guidelines shown below. The project manager is able to authorize consultants through Professional Service Agreements and with the approval of the Manager of Environmental, Safety and Health to perform the necessary site investigation, design work and other necessary work.

a) Ameren has authorization limits for contracts as shown below:

Manager, Environmental, Safety and Health	\$100,000
Sr. Vice President	\$250,000
President	unlimited

b) See a.) above

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SDR-011: This request pertains to the Company's notification to potential suppliers of goods and services of the Company's intent to purchase or contract goods and services for the environmental cleanup of MGP sites.

- a. Identify all procedures used by the Company to ensure that every reasonable effort was made to notify all available suppliers of the goods and services required for the environmental cleanup of MGP sites before new purchases were made, or before new contracts were awarded to a supplier during the reconciliation period.
- b. Describe all related actions taken by the Company before any new purchases were made or before any new contracts were awarded during the reconciliation period.
- c. Describe the instances when only one supplier was notified, and explain how costs were thus minimized.
- d. Identify all instances when the lowest bid for goods and services required for the environmental cleanup of MGP sites was rejected, and explain the reasons for the rejection.

Response: a) Consulting firms contact the Company's Environmental, Safety and Health Department on a consistent basis. These firms supply qualification packages. Based on these qualification packages, qualified firms are requested to send proposals as explained in SDR-006.

b) Two consulting firms were contacted to provide estimates regarding the Illinois TACO program evaluation for the Alton site.

The two firms were selected based their employees having firsthand knowledge of the site's existing data and investigation as well as being familiar with the Illinois TACO program. The firm, which presented the lowest estimate, was selected for the evaluation.

c) None.

d) None.

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SDR-012: Explain how the Company evaluated each contract renegotiation position that was proffered by a contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response: None

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SDR-013: Explain how the Company formulated each contract renegotiation position that it offered to a contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response: None

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SDR-014: This request pertains to the Company's monitoring of MGP environmental cleanup purchase and contracts.

- a. Explain how the Company monitored MGP environmental cleanup purchases and contracts during the reconciliation period.
- b. Document all changes made as a result of these monitoring efforts.

Response: a) As explained in detail in SDR-010, the Company's upper management reviews and approves contracts and project budgets. Billings are reviewed by the Company's Construction Audit Section to verify the billing rates and that adequate detail have been provided to support the expenditures. The billing is then sent to the company's project manager to insure that all purchases and services were authorized under the terms of the contract or Professional Service Agreement. In addition, the project manager insures that purchases and services meet the necessary quantity requested. Any change in the scope of work is only approved by the project manager, if it is necessary and appropriate.

b) Documents responsive to the request are too voluminous to copy. Information responsive to the request will be provided at the Company's offices in St. Louis, Mo.

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SDR-015: Identify and explain any factors which limited the Company's available purchasing and contracting options for the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.

Response: As explained in detail in SDR-002, the Company's contact options are limited by a variety of factors. Vendors qualified to perform the necessary work are also limited in number. The need for environmental liability insurance also limits the number of vendors. Time constraints to meet compliance deadlines can contribute to limiting options in certain circumstances. Since the IEPA approves the cleanup option, the least cost option is not always chosen.

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SDR-016: Identify and explain all efforts that the Company made during the reconciliation period to take advantage of favorable market conditions to renegotiate its contracts or to purchase from alternative market sources the goods and services required for the environmental cleanup of MGP sites. If no contract renegotiations were attempted, explain why not.

Response: In 1998, Environmental, Safety and Health started renegotiating Professional Service Agreements with various consultants qualified to perform MGP investigation and design. With the increase of qualified firms, Ameren has been able to obtain more favorable terms and conditions over previous agreements. The agreements do not in themselves authorize specific projects or obligate the Company to any specific work.

Prior to authorizing any work under any Professional Service Agreement, the procedures explained in SDR-006 are followed.

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SDR-017: This request pertains to any occurrences when the Company made purchases or entered into contracts using criteria other than minimizing the cost of the environmental cleanup of MGP sites.

- a. List any occurrences during the reconciliation period when the Company made purchases or entered into contracts using criteria other than minimizing the cost of the environmental cleanup of MGP sites.
- b. For each occurrence, explain the circumstances, quantify the extra costs incurred, and explain what, if anything, can be done to prevent extra costs of this type from being incurred in the future.
- c. Provide all documentation pertaining to each occurrence.

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SDR-018: This request pertains to the Company's procedures to minimize MGP environmental cleanup costs.
a. Explain with specificity the procedures used by the Company to minimize MGP environmental cleanup costs.
b. Give a detailed description of these procedures as they related to all purchasing and contracting decisions for MGP environmental cleanup costs made during the reconciliation period.

Response: See SDR-002 and SDR-010.

a) UE is required by federal and state law to incur costs for the investigation and remediation of MGP sites. Under these laws, liability for the cost of remediating MGP sites extends to any current owner of an MGP site; any entity that owned or operated an MGP site at the time of disposal; and any successor in interest to such entities. The Company has investigated its liabilities under these laws and has determined legal responsibility for one MGP site (Alton) in Illinois.

The Company is a member of several trade organizations such as EPRI. These organizations provide information regarding new and innovative investigation methods and cleanup technologies, which reduce cost. These organizations also provide data and technical reports that are used to convince the IEPA to reduce the need for site-specific information. This reduces the cost of site investigations.

The Company is a member of EEI and the Illinois Regulatory Group (IRG). These groups review and comment on federal and state regulations. Smaller committees of these organizations

have been formed to specifically review regulation relating to MGP sites. These groups have been successful in providing information to the federal and state regulators resulting in more reasonable regulations.

The Company has taken a phased approach to MGP investigations. A phased approach insures a more thorough approach while minimizing cost. Preliminary investigations were conducted at the sites to prioritize the order of investigations. Sites were ranked based on the potential to cause harm to human health or the environment relative to each other.

Investigation starts with selection of a consultant as described in SDR-006. Once the consultant has been selected, the consultant submits a work plan for a site investigation to the Company. Company personnel with vast experience and knowledge of MGP site work and IEPA requirements review the work plan. The work plan is reviewed to insure only necessary information will be collected which will satisfy the IEPA. The work plan is then submitted to the IEPA for review and comment. Company personnel review any IEPA comments. Any request believed to be unreasonable is discussed with the IEPA. This review process reduces the cost of site investigations.

As discussed in SDR-004, the Company's project manager supervises the on-site investigation activities. Results determined in the on-site investigation often require some adjustments in the work plan. The Company's project manager has the experience and expertise to authorize necessary and appropriate charges. Once all the on-site investigation results are available, they are evaluated for the need of additional on-site information. Additional information is usually required to focus on specific areas. The work plan is revised and the same steps for review of the original work plan are followed.

Once all necessary site information has been obtained, the cleanup levels and methods can be developed. Cleanup objectives are based using either the Tier 1 and Tier 2 tables within the TACO regulations or a full risk assessment may be conducted under the Tier 3 provisions of the TACO regulations. Under TACO, site contaminates under certain conditions may be managed instead of being removed. Management of site contaminates to eliminate exposure pathways in the majority of situations is significantly lower in cost than soil removal with treatment. Review of these documents follow the same pattern as

the site investigation work plan.

As described in detail in SDR-014 the Company's project manager reviews all billings. This review ensures all billings are appropriate for the work performed.

b) None

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SDR-019: This request pertains to the Company's after-the-fact evaluations of its purchasing and contracting decisions for MGP environmental cleanup costs.

- a. How often are after-the-fact evaluations conducted by the Company to review its purchasing and contracting decisions for MGP environmental cleanup costs?
- b. Provide a copy of all documents pertaining to these evaluations.
- c. Identify any decisions, recommendations, policy changes, and new procedures that have resulted from these evaluations.
- d. Provide the date when the three most recent after-the-fact evaluations were conducted and provide copies of those reports.
- e. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of the after-the-fact evaluations.

Response: a) Prior to awarding new service contracts for MGP site investigations, the Company reviews the performance, including costs, of all current and former MGP consultants to determine whether they should be considered for the new work. This process is on-going and is used to determine if an MGP consultant should continue to perform work for the remaining phases at a MGP site. In addition, periodically the Company's Internal Audit Department performs a formal audit of activities.

b-e) None

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SDR-020: This request pertains to the Company's audits of its purchasing and contracting decisions for MGP environmental cleanup costs.

- a. How often are the MGP environmental cleanup purchasing and contracting functions audited by management using internal or external auditors/
- b. Provide the dates when the three most recent audits were conducted and provide copies of those audit reports.
- c. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of the these audits.

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SDR-021: Explain the procedures used to verify the quality of the items and services purchased or contracted for regarding the environmental cleanup of MGP sites.

Response: The Company's Project Manager monitors the activities of the contractors consistently to insure that the quality of the items and services provided adequately meet the required contract terms. The billings along with supporting documents are sent to the Construction Audit Section. The Construction Audit Section reviews the billing and supporting documents to verify the billing rates are correct and the totals are accurate. The Project Manager then reviews the billing to insure the work performed was within the authorization. The payment is then sent for proper authorization.

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SDR-022: This request pertains to the policies and procedures for the quality control of items and services purchased or contracted for regarding the environmental cleanup of MGP sites.

- a. What are the Company's policies and procedures for dealing with items and services purchased or contracted for regarding the environmental cleanup of MGP sites which failed to meet quality and contract specifications?
- b. List each occurrence when items and services purchased or contracted for regarding the environmental cleanup of MGP sites failed to meet quality and contract specifications.
- c. Provide documentation of any related actions taken by the Company during the reconciliation period. If no documentation can be provided, explain why not.

Response:

- a) The terms and conditions of Company contracts contain a section dealing with warranty protection. If the work fails to meet contract specification requirements, contractor is required to re-perform (repair/replace) the work so that it meets contract requirements.
- b) None.
- c) None.